

HOUSE BILL REPORT

HB 2689

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to modifying agency relationship provisions to clarify broker and licensee terms.

Brief Description: Modifying agency relationship provisions to clarify broker and licensee terms.

Sponsors: Representatives Goodman, Maxwell, Kenney and Kelley.

Brief History:

Committee Activity:

Commerce & Labor: 1/27/10 [DPS].

Brief Summary of Substitute Bill

- Makes changes in the real estate brokerage agency relationships law to be consistent with the real estate brokers and salespersons law by adding definitions, modifying a definition, and making necessary language changes.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Conway, Chair; Condotta, Ranking Minority Member; Chandler, Crouse, Moeller and Williams.

Staff: Rebecca Jones (786-5793) and Joan Elgee (786-7106).

Background:

The Department of Licensing (Department) is responsible for the licensing required for real estate transactions. One real estate related law deals with brokers and salespersons and another law deals with brokerage agency relationships. In 2008 the Legislature changed the real estate brokers and salespersons law to modify the definition of a licensee, add a definition for a designated broker, and delete the definition of a real estate salesperson, among other changes. The changes take effect July 1, 2010.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Under the real estate brokers and salespersons law, effective July 1, 2010:

- A licensee is a real estate firm, managing broker, or broker.
- A real estate firm is a licensed and legally recognized business entity conducting real estate brokerage services.
- A designated broker is a person who either owns a real estate firm or who has a controlling interest in a firm, has been designated to act on behalf of the firm, and whose managing broker license has been endorsed by the Department as a "designated broker."
- A managing broker acts on behalf of the real estate firm to perform real estate brokerage services under the designated broker and may supervise other brokers or managing brokers.
- A broker is a person acting on behalf of a real estate firm to perform real estate brokerage services under a designated broker or managing broker.

The real estate brokerage agency relationships law was not changed and includes the terms deleted from or modified in the real estate brokers and salespersons law. Under the real estate brokerage agency relationships law, a licensee is a real estate broker, associate real estate broker, or real estate salesperson, as defined in the real estate brokers and salespersons law effective until July 1, 2010.

A real estate broker is a person who:

- sells, lists, or buys real estate for others;
- negotiates for others the purchase, sale, exchange, lease, or rental of real estate, business opportunities, or a manufactured home in conjunction with the land on which the home is located;
- advertises or holds himself or herself out to the public as engaged in these activities; or
- engages, directs, or assists in procuring prospects or in negotiating or closing any transaction which results in these activities.

An associate real estate broker is a person who has qualified as a broker, but who works with another broker and has a license stating that he or she is associated with another broker. A real estate salesperson is employed by a real estate broker in conducting the real estate business.

Summary of Substitute Bill:

Changes are made in the real estate brokerage agency relationships law to be consistent with the real estate brokers and salespersons law which takes effect July 1, 2010.

Definitions for "designated broker" and "real estate firm" are added. A designated broker is a natural person who owns a sole proprietorship real estate firm or a natural person with a controlling interest in the firm who is designated by a legally recognized business entity to act as a designated broker on behalf of the real estate firm, and whose managing broker's

license receives an endorsement from the Department of "designated broker." A real estate firm is a recognized business entity.

The definition of "licensee" is modified to mean a broker, managing broker, or real estate firm.

The term "firm" replaces "broker" in several provisions.

Substitute Bill Compared to Original Bill:

Definitions for "designated broker" and "real estate firm" are added. The definition of "licensee" is modified to include a real estate firm and remove a designated broker from the definition. The term "designated broker" is replaced by "firm" in several provisions. An effective date is added.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect on July 1, 2010.

Staff Summary of Public Testimony:

(In support) This really is a simple housekeeping measure that probably should have been caught in the 2009 legislative session. The modifications to the real estate brokerage agency relationships law are necessary to conform with the language in the Real Estate License Reform Act of 2008. Please move the proposed substitute out of committee. The changes in this bill really are not substantive and are about conformity.

(Opposed) None.

Persons Testifying: Representative Goodman, prime sponsor; and Bob Mitchell, Washington Realtors.

Persons Signed In To Testify But Not Testifying: None.